DEPARTMENT OF TRANSPORTATION

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August 16, 2004

Members of the California Legislature State Capitol Sacramento, CA 95814

Dear Members:

In 1997, Senate Bills (SB) 60 and 226 were signed into law establishing a program and funding for the seismic retrofit of seven State-owned toll bridges, including replacement of the San Francisco Oakland Bay Bridge (SFOBB). Under the provisions of SB 60 and SB 226, the California Department of Transportation (Caltrans) was given the responsibility and authority to implement seismic retrofits on six of the bridges. Under the statute, responsibility for selecting the final design for the SFOBB was placed with the Metropolitan Transportation Commission (MTC), with Caltrans responsible for constructing the selected design.

In 2001, Assembly Bill (AB) 1171 provided a refinancing of the Toll Bridge Seismic Retrofit Program in response to the necessity for additional funding. Two major factors resulted in this need. First, more than two years of delay in the selection of the final design for the SFOBB resulted in dramatic cost increases for that project. Second, the strong economy and boom in construction combined to increase construction costs significantly and it was determined that the original estimate was significantly understated because it failed to include customary project and program contingencies and inflationary escalators associated with major capital programs.

Under section 188.5 of the Streets and Highway Code, the Legislature provided a specified amount of funding for the seismic safety retrofit of the seven State-owned toll bridges. Subdivision (d) of section 188.5 requires Caltrans to report to the Legislature when it has determined that the potential actual costs will exceed the amounts identified in section 188.5. This letter and the attached report are intended to meet the statutory notification requirement.

Since the enactment of AB 1171, just days after the tragic events of September 11, 2001, several factors beyond the control of the State or MTC have resulted in additional major increases in funding needs for the program. Caltrans, the MTC, and Bechtel Corporation reviewed the original estimated costs in 2001, and have now reviewed the current overall toll bridge seismic retrofit program estimated costs. All parties have reached consensus on an overall funding shortfall of approximately \$2.3 billion, plus a proposed \$900 million contingency. The cost breakdown by bridge as well as the specific cost increases are provided in the attached report.

The Seismic Retrofit Program's Annual Report to the Legislature (submitted in March 2003) outlined numerous issues and their effects on completing the seismic safety work. The issues included:

- Due to concerns about terrorism, insurance and bonding costs have dramatically increased, particularly for large construction projects;
- There have been unprecedented increases in the price of steel. In fact, structural steel prices have surged 50% since 2001, and 25% during 2004 alone, largely due to heavy worldwide demand;
- The projects in the program involve unprecedented complexity and enormity of marine environment construction activities;
- There have been significantly higher than expected needs for technical experts to resolve complex seismic design issues that arise during large-scale bridge construction;
- The complexity of the projects has resulted in longer project construction durations than originally anticipated; and,
- Overall upward trend in construction costs over the last 6-12 months.

The San Francisco-Oakland Bay Bridge East Span design, originally reflecting an entirely different proposal estimated at \$1.1 billion, now has a differing unique design, selected by the MTC and the people of the Bay Area. It is one of the most complicated structures in the world. On May 26, 2004, Caltrans received a single bid for construction of the Self-Anchored Cable Suspension Bridge (SAS) contract, which is part of the East Span replacement project for the San Francisco-Oakland Bay Bridge. The domestic—based bid and the foreign—based bid both substantially exceeded the estimated contract budget. Caltrans, in conjunction with MTC and the Federal Highway Administration, is evaluating these bids for responsiveness and reviewing the overall funding requirements to complete the toll bridge seismic retrofit program.

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The Department is making significant progress in retrofitting the State's bridges. Over the last ten years the Department has:

- Completed seismic safety work on over 2,000 bridges
- Completed work on five of the seven toll bridges, and completed the San Francisco-Oakland Bay West Span main suspension bridges retrofit, all within budget. The bridges are safer and are designed to withstand a significant seismic event.
- Continued progress with construction on the largest remaining seismic retrofit projects on the Richmond–San Rafael Bridge and the replacement of the San Francisco–Oakland Bay Bridge East Span and West Approach.

We are prepared to meet with you and members of your staff immediately upon receipt of this notification and report to provide specific program cost estimates and details and to outline potential financial plan solutions.

Sincerely,

(Original signed by)

RANDELL H. IWASAKI Interim Director

Attachments

SUMMARY OF COST INCREASES

The table below compares the AB 1171 project budgets to the current estimates.

Comparison of AB1171 and August 2004 Cost Estimates (Dollars in millions)		
Bridge	AB1171	August 2004
Benicia-Martinez Existing*	\$ 190	\$ 180
Carquinez (eastbound)**	\$ 125	\$ 115
Richmond-San Rafael	\$ 665	\$ 914
San Mateo-Hayward	\$ 190	\$ 165
Vincent Thomas	\$ 62	\$ 59
San Diego-Coronado	\$ 105	\$ 105
Bay Bridge – West Span	\$ 700	\$ 737
Bay Bridge – New East Span	\$ 2,600	\$ 5,130
	Total \$ 4,637	\$ 7,405
Program Contingency***	\$ 448	\$ 900

^{*} This seismic retrofit project on I-680 was separate from the Regional Measure 1 (RM1) new toll bridge project currently under construction northbound, which is not part of the Program.

^{**}The westbound I-80 Carquinez Bridge was replaced by RM1 in 2004.

^{***} AB1171 authorized the Department to utilize up to \$448 million of the State Highway Account funds (using resources from the Interregional Transportation Improvement Plan, the State Highway Operation Protection Plan, or federal bridge funds) to mitigate any cost increases above the \$4.637 billion budgeted Program cost estimate if needed.